

GMG COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2014

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Independent Auditor's Report

To the Board of Education of
GMG Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of GMG Community School District, Garwin, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of GMG Community School District as of June 30, 2014,

and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise GMG Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the two years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 26, 2015 on our consideration of GMG Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering GMG Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 26, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

GMG Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,281,524 in fiscal 2013 to \$4,649,557 in fiscal 2014, while General Fund expenditures increased from \$4,375,167 in fiscal 2013 to \$4,508,053 in fiscal 2014. The District's General Fund balance increased from \$665,273 in fiscal 2013 to \$822,410 in fiscal 2014, a 24% increase.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of GMG Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report GMG Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which GMG Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

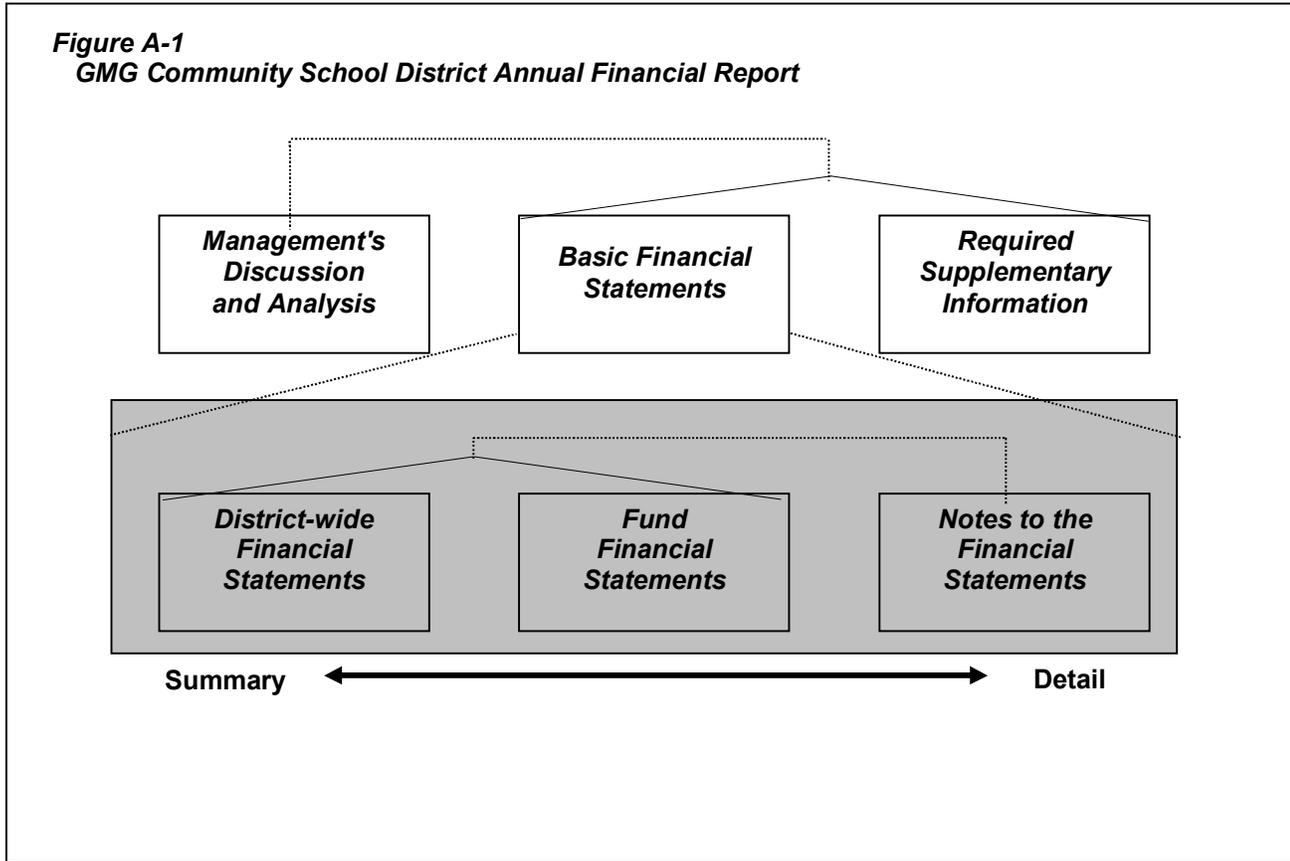


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- **Business type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in fund net position and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include an Agency Fund.

- Agency Funds . These are funds through which the District administers and accounts for certain monies behalf of other entities.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2013-2014 %
	Governmental Activities		Business-type Activities		Total School District		
	2013	2014	2013	2014	2013	2014	
	\$	\$	\$	\$	\$	\$	
Current and other assets	4,299,929	4,524,160	50,561	65,562	4,350,490	4,589,722	5%
Capital assets	7,624,140	7,454,229	25,378	21,304	7,649,518	7,475,533	-2%
Total assets	11,924,069	11,978,389	75,939	86,866	12,000,008	12,065,255	1%
Long-term liabilities	5,990,371	5,614,357	3,515	5,060	5,993,886	5,619,417	-6%
Other liabilities	551,255	583,125	15,191	15,204	566,446	598,329	6%
Total liabilities	6,541,626	6,197,482	18,706	20,264	6,560,332	6,217,746	-5%
Deferred inflows of resources	2,018,579	2,012,532	4,905	5,187	2,023,484	2,017,719	<-1%
Net Position:							
Net Investment in capital assets	1,754,896	1,969,482	25,378	21,304	1,780,274	1,990,786	12%
Restricted	915,122	978,973	-	-	915,122	978,973	7%
Unrestricted	693,846	819,920	26,950	40,111	720,796	860,031	19%
TOTAL NET POSITION	3,363,864	3,768,375	52,328	61,415	3,416,192	3,829,790	12%

The District's combined total net position increased 12%, or \$413,598, over the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$63,851 or 7% over the prior year.

Unrestricted net position . the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements . increased \$139,235, or 19%.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4

	Change in Net Position						Percentage Change 2013-2014 %
	Governmental Activities		Business-type Activities		Total School District		
	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	
Revenues							
Program Revenues:							
Charges for services	1,263,066	1,455,231	112,752	128,223	1,375,818	1,583,454	15%
Operating grants & contributions	605,415	620,991	136,925	147,114	742,340	768,105	3%
Capital grants & contributions	-	-	-	-	-	-	-
General Revenues:							
Property taxes	1,929,470	2,020,402	-	-	1,929,470	2,020,402	5%
Income surtax	156,413	169,922	-	-	156,413	169,922	9%
Statewide sales, service & use tax	269,095	302,621	-	-	269,095	302,621	12%
Unrestricted state grants	1,110,105	1,211,210	-	-	1,110,105	1,211,210	9%
Unrestricted investment earnings	6,584	3,386	11	74	6,595	3,460	-48%
Other revenue	18,870	-	-	-	18,870	-	-100%
Total Revenues	5,359,018	5,783,763	249,688	275,411	5,608,706	6,059,174	8%
Expenses:							
Instruction	3,118,606	3,348,007	-	-	3,118,606	3,348,007	7%
Support services	1,500,679	1,389,301	-	-	1,500,679	1,389,301	-7%
Non-instructional programs	-	-	252,078	266,324	252,078	266,324	6%
Other expenditures	588,016	641,944	-	-	588,016	641,944	9%
Total expenses	5,207,301	5,379,252	252,078	266,324	5,459,379	5,645,576	3%
CHANGE IN NET POSITION	151,717	404,511	(2,390)	9,087	149,327	413,598	177%
Net position beginning of year	3,212,147	3,363,864	54,718	52,328	3,266,865	3,416,192	5%
Net position end of year	3,363,864	3,768,375	52,328	61,415	3,416,192	3,829,790	12%

In fiscal year 2014 property tax and unrestricted state grants account for 53% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 84% of the total expenses.

As shown in figure A-4, the District as a whole experienced an 8% increase in revenues and a 3% increase in expenses. Property tax increased \$90,932 to fund expenses. The increase in expenses is related to salary and insurance increases. The district settled with the teacher association at less than state average and staff was also very conservative on spending during the year.

Governmental Activities

Revenues for governmental activities were \$5,783,763 and expenses were \$5,379,252. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2013	2014	Percent Change 2013-2014	2013	2014	Percent Change 2013-2014
	\$	\$	%	\$	\$	%
Instruction	3,118,606	3,348,007	7%	1,381,979	1,414,144	2%
Support Services	1,500,679	1,389,301	-7%	1,500,679	1,382,983	-8%
Other Expenses	588,016	641,944	9%	456,162	505,903	11%
TOTAL	5,207,301	5,379,252	3%	3,338,820	3,303,030	-1%

For the year ended June 30, 2014

- The cost financed by users of the District's programs was \$1,455,231. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$620,991.
- The net cost of governmental activities was financed with \$2,492,945 in property and local other taxes and \$1,211,210 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$275,411 and expenses were \$266,324. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, GMG Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,826,456, above last year's ending fund balances of \$1,632,554.

Governmental Fund Highlights

- The General Fund balance increased from \$665,273 to \$822,410.
- The Capital Projects Fund balance decreased from \$680,560 to \$651,557.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$52,328 at June 30, 2013 to \$61,415 at June 30, 2014, representing a decrease of 17%.

BUDGETARY HIGHLIGHTS

The District's receipts were \$236,811 more than budgeted receipts, a variance of 4%.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services and non-instructional functional areas due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$7.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$274,859.

Figure A-6

Capital Assets (net of depreciation)

	Governmental		Business type		Total		Percentage Change 2013-2014
	Activities		Activities		School District		
	2013	2014	2013	2014	2013	2014	
	\$	\$	\$	\$	\$	\$	%
Land	54,500	54,500	-	-	54,500	54,500	0%
Buildings	7,262,551	7,090,168	-	-	7,262,551	7,090,168	-2%
Equipment & furniture	307,089	309,561	25,378	21,304	332,467	330,865	-1%
TOTAL	7,624,140	7,454,229	25,378	21,304	7,649,518	7,475,533	-2%

Long-Term Debt

At June 30, 2014 the District had \$5,619,417 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of 6% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-7
Outstanding Long-Term Obligations**

	Total School District		Percentage Change
	2013	2014	2013-2014
	\$	\$	%
Governmental activities:			
General obligation bonds	4,060,000	3,825,000	-6%
Revenue bonds	1,540,000	1,470,000	-5%
USDA Rural Econ. Devel. Loan	195,000	165,000	-15%
Capital leases	74,244	24,747	-67%
Termination benefits	26,015	12,359	-52%
Net OPEB liability	95,112	117,251	23%
Business type activities:			
Net OPEB liability	3,515	5,060	44%
	5,993,886	5,619,417	-6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Statewide sales, services and use tax and the physical plant and equipment levy are being used for keeping the district transportation fleet updated, updating technology, and updating buildings.
- The District has experienced increasing open enrollment in over the past several years. Enrollment history since 1994 shows a significant increase from 54.2 in 1994-1995 to 198 in 2013-2014.
- Health insurance continues to be a very costly item to the District. The district will look into increasing deductibles to control the cost of premiums in the future. GMG is much better off than several other districts in the fact that employees working 30 hours or more a week already receive insurance. The impact of the Health Care Act is much less than it could be.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Stahl, District Secretary/Treasurer and Business Manager, GMG Community School District, 306 Park Street, Garwin, Iowa, 50632.

BASIC FINANCIAL STATEMENTS

GMG COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments:			
Other	2,007,567	52,895	2,060,462
Receivables:			
Property tax:			
Delinquent	25,241	-	25,241
Succeeding year	2,012,532	-	2,012,532
Accounts receivable	-	3,748	3,748
Due from other governments	478,820	-	478,820
Inventories	-	8,919	8,919
Capital assets, net of accumulated depreciation	<u>7,454,229</u>	<u>21,304</u>	<u>7,475,533</u>
Total assets	<u>11,978,389</u>	<u>86,866</u>	<u>12,065,255</u>
Liabilities			
Accounts payable	99,736	-	99,736
Salaries and benefits payable	436,998	15,204	452,202
Accrued interest payable	46,391	-	46,391
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	245,000	-	245,000
Revenue bonds payable	75,000	-	75,000
USDA rural economic development loan	30,000	-	30,000
Capital leases	24,747	-	24,747
Termination benefits	8,460	-	8,460
Portion due after one year:			
General obligation bonds payable	3,580,000	-	3,580,000
Revenue bonds payable	1,395,000	-	1,395,000
USDA rural economic development loan	135,000	-	135,000
Termination benefits	3,899	-	3,899
Net OPEB liability	<u>117,251</u>	<u>5,060</u>	<u>122,311</u>
Total liabilities	<u>6,197,482</u>	<u>20,264</u>	<u>6,217,746</u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Deferred Inflows of Resources:			
Unavailable property tax revenue	2,012,532	-	2,012,532
Other	-	5,187	5,187
	<u>2,012,532</u>	<u>5,187</u>	<u>2,017,719</u>
Net position			
Net investment in capital assets	1,969,482	21,304	1,990,786
Restricted for:			
Categorical funding	33,677	-	33,677
Management levy	169,093	-	169,093
Student activities	51,316	-	51,316
Physical plant and equipment levy purposes	38,782	-	38,782
School infrastructure	468,155	-	468,155
Debt service	217,950	-	217,950
Unrestricted	<u>819,920</u>	<u>40,111</u>	<u>860,031</u>
Total net position	<u><u>3,768,375</u></u>	<u><u>61,415</u></u>	<u><u>3,829,790</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	\$	\$	\$	\$
Governmental activities:				
Instruction:				
Regular	2,050,477	1,076,158	324,869	-
Special	505,054	270,582	16,135	-
Other	792,476	102,371	143,748	-
	<u>3,348,007</u>	<u>1,449,111</u>	<u>484,752</u>	<u>-</u>
Support services:				
Student	58,173	-	-	-
Instructional staff	99,220	-	-	-
Administration	564,260	-	-	-
Operation and maintenance of plant	414,864	500	-	-
Transportation	252,784	5,520	298	-
	<u>1,389,301</u>	<u>6,020</u>	<u>298</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	102,041	-	-	-
Long-term debt interest	231,579	100	-	-
AEA flowthrough	135,941	-	135,941	-
Depreciation (unallocated)*	172,383	-	-	-
	<u>641,944</u>	<u>100</u>	<u>135,941</u>	<u>-</u>
Total governmental activities	5,379,252	1,455,231	620,991	-
Business type activities:				
Non-instructional programs:				
Food service operations	266,324	128,223	147,114	-
Total	<u>5,645,576</u>	<u>1,583,454</u>	<u>768,105</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Total general revenues				

Change in net position

Net position beginning of year

Net position end of year

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business Type Activities	Total
\$	\$	\$
(649,450)	-	(649,450)
(218,337)	-	(218,337)
(546,357)	-	(546,357)
<u>(1,414,144)</u>	<u>-</u>	<u>(1,414,144)</u>
(58,173)	-	(58,173)
(99,220)	-	(99,220)
(564,260)	-	(564,260)
(414,364)	-	(414,364)
(246,966)	-	(246,966)
<u>(1,382,983)</u>	<u>-</u>	<u>(1,382,983)</u>
(102,041)	-	(102,041)
(231,479)	-	(231,479)
-	-	-
(172,383)	-	(172,383)
<u>(505,903)</u>	<u>-</u>	<u>(505,903)</u>
(3,303,030)	-	(3,303,030)
-	9,013	9,013
<u>(3,303,030)</u>	<u>9,013</u>	<u>(3,294,017)</u>
1,501,259	-	1,501,259
394,809	-	394,809
124,334	-	124,334
169,922	-	169,922
302,621	-	302,621
1,211,210	-	1,211,210
3,386	74	3,460
<u>3,707,541</u>	<u>74</u>	<u>3,707,615</u>
404,511	9,087	413,598
<u>3,363,864</u>	<u>52,328</u>	<u>3,416,192</u>
<u><u>3,768,375</u></u>	<u><u>61,415</u></u>	<u><u>3,829,790</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	1,158,526	508,521	114,789	225,731	2,007,567
Receivables:					
Property tax:					
Delinquent	16,255	1,553	4,932	2,501	25,241
Succeeding year	1,340,508	122,709	396,315	153,000	2,012,532
Interfund receivable	-	-	-	20,717	20,717
Due from other governments	337,337	141,483	-	-	478,820
Total assets	2,852,626	774,266	516,036	401,949	4,544,877
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	83,555	-	-	16,181	99,736
Salaries and benefits payable	436,998	-	-	-	436,998
Interfund payable	20,717	-	-	-	20,717
Total liabilities	541,270	-	-	16,181	557,451
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,340,508	122,709	396,315	153,000	2,012,532
Income surtax	148,438	-	-	-	148,438
Total deferred inflows of resources	1,488,946	122,709	396,315	153,000	2,160,970
Fund balances:					
Restricted for:					
Categorical funding	33,677	-	-	-	33,677
Debt service	-	144,620	119,721	-	264,341
Management levy	-	-	-	181,452	181,452
Student activities	-	-	-	51,316	51,316
School infrastructure	-	468,155	-	-	468,155
Physical plant and equipment	-	38,782	-	-	38,782
Unassigned	788,733	-	-	-	788,733
Total fund balances	822,410	651,557	119,721	232,768	1,826,456
Total liabilities, deferred inflows of resources and fund balances	2,852,626	774,266	516,036	401,949	4,544,877

GMG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2014

\$

Total fund balances of governmental funds (Exhibit C)	1,826,456
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***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,454,229
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Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.	148,438
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Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds.	(46,391)
------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------

Long-term liabilities, including bonds payable, notes payable, capital leases payable, termination benefits, and other post employment benefits payable, are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.	<u>(5,614,357)</u>
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Net position of governmental activities (Exhibit A)	<u><u>3,768,375</u></u>
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GMG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	General	Capital Projects	Debt Service	Nonmajor	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	1,468,388	124,334	394,809	200,181	2,187,712
Tuition	1,277,642	-	-	-	1,277,642
Other	71,685	1,946	100	107,244	180,975
State sources	1,708,399	302,683	197	100	2,011,379
Federal sources	123,443	-	-	-	123,443
Total revenues	<u>4,649,557</u>	<u>428,963</u>	<u>395,106</u>	<u>307,525</u>	<u>5,781,151</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,900,612	-	-	63,087	1,963,699
Special	502,480	-	-	-	502,480
Other	673,761	-	-	118,200	791,961
	<u>3,076,853</u>	<u>-</u>	<u>-</u>	<u>181,287</u>	<u>3,258,140</u>
Support services:					
Student	64,261	-	-	-	64,261
Instructional staff	87,482	10,708	-	-	98,190
Administration	557,176	-	-	4,510	561,686
Operation and maintenance of plant	357,736	26,663	-	29,435	413,834
Transportation	228,604	105,598	-	11,796	345,998
	<u>1,295,259</u>	<u>142,969</u>	<u>-</u>	<u>45,741</u>	<u>1,483,969</u>
Other expenditures:					
Facilities acquisition	-	91,229	-	-	91,229
Long-term debt:					
Principal	-	-	389,497	-	389,497
Interest and fiscal charges	-	-	228,473	-	228,473
AEA flowthrough	135,941	-	-	-	135,941
	<u>135,941</u>	<u>91,229</u>	<u>617,970</u>	<u>-</u>	<u>845,140</u>
Total expenditures	<u>4,508,053</u>	<u>234,198</u>	<u>617,970</u>	<u>227,028</u>	<u>5,587,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>141,504</u>	<u>194,765</u>	<u>(222,864)</u>	<u>80,497</u>	<u>193,902</u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Operating transfers in	15,633	-	223,768	-	239,401
Operating transfers out	-	(223,768)	-	(15,633)	(239,401)
Total other financing sources (uses)	<u>15,633</u>	<u>(223,768)</u>	<u>223,768</u>	<u>(15,633)</u>	<u>-</u>
Change in fund balances	157,137	(29,003)	904	64,864	193,902
Fund balances beginning of year	<u>665,273</u>	<u>680,560</u>	<u>118,817</u>	<u>167,904</u>	<u>1,632,554</u>
Fund balances end of year	<u><u>822,410</u></u>	<u><u>651,557</u></u>	<u><u>119,721</u></u>	<u><u>232,768</u></u>	<u><u>1,826,456</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2014

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		193,902
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:		
Expenditures for capital assets	100,874	
Depreciation expense	<u>(270,785)</u>	(169,911)
Income surtaxes and receivables not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		
		2,612
Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
		384,497
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		
		1,894
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:		
Termination benefits	13,656	
Other postemployment benefits	<u>(22,139)</u>	<u>(8,483)</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>404,511</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund

June 30, 2014

	Enterprise Fund
	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	52,895
Accounts receivable	3,748
Inventories	8,919
Total current assets	<u>65,562</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>21,304</u>
Total assets	<u>86,866</u>
Liabilities	
Current liabilities:	
Salaries and benefits payable	15,204
Deferred revenue	5,187
Total current liabilities	<u>20,391</u>
Noncurrent liabilities:	
Net OPEB liability	<u>5,060</u>
Total liabilities	<u>25,451</u>
Net position	
Investment in capital assets	21,304
Unrestricted	<u>40,111</u>
Total net position	<u><u>61,415</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2014

	Enterprise Fund
	Nonmajor School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for service	<u>128,223</u>
Operating expenses:	
Non-instructional programs:	
Salaries	66,696
Benefits	35,347
Supplies	157,794
Depreciation	4,074
Other	2,413
Total operating expenses	<u>266,324</u>
Operating income (loss)	<u>(138,101)</u>
Non-operating revenue:	
State sources	2,576
Federal sources	144,538
Interest income	74
Total non-operating revenue	<u>147,188</u>
Increase in net position	9,087
Net position beginning of year	<u>52,328</u>
Net position end of year	<u><u>61,415</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2014

	Enterprise Fund
	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	128,085
Cash paid to employees for services	(100,485)
Cash paid to suppliers for goods or services	(138,059)
Net cash used by operating activities	<u>(110,459)</u>
Cash flows from non-capital financing activities:	
State grants received	2,576
Federal grants received	125,368
Net cash provided by non-capital financing activities	<u>127,944</u>
Cash flows from capital and related financing activities:	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>74</u>
Net increase in cash and cash equivalents	17,559
Cash and cash equivalents at beginning of year	<u>35,336</u>
Cash and cash equivalents at end of year	<u><u>52,895</u></u>
Reconciliation of operating income (loss) to net cash used by operating activities:	
Operating income (loss)	(138,101)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	19,170
Depreciation	4,074
Decrease (increase) in inventories	2,978
Decrease (increase) in accounts receivable	(420)
(Decrease) increase in salaries and benefits payable	13
(Decrease) increase in deferred revenue	282
(Decrease) increase in other postemployment benefits	1,545
Net cash used by operating activities	<u><u>(110,459)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$19,170 of federal commodities.

GMG COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2014

	<u>Agency</u>
	\$
Assets	
Cash, cash equivalents and pooled investments	15,335
Land	<u>111,650</u>
Total Assets	<u>126,985</u>
Liabilities	
Other payables	<u>126,985</u>
Net Position	<u><u>-</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

1. Summary of Significant Accounting Policies

GMG Community School District is a political subdivision of the State of Iowa and provides public education for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Garwin and Green Mountain, Iowa and the predominately agricultural territory in a portion of Marshall and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, GMG Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The GMG Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted, net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013, through June 30, 2014, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture, equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	1,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	50,000
Furniture and equipment:	
School Nutrition Fund equipment	2,000
Other furniture and equipment	2,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Salaries and Benefits Payable . Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources . Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivables and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services and non instructional services functions.

2. **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$564,282 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount \$
Non-major Governmental, Management Fund	General Fund	20,717

The interfund receivable payable is the result of a year-end revenue reclassification.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer To	Transfer From	Amount \$
Debt Service	Capital Projects	223,768

This transfer moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Capital Assets

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year \$	Increases \$	Decreases \$	Balance End of Year \$
Governmental activities:				
Capital assets not being depreciated:				
Land	54,500	-	-	54,500
Capital assets being depreciated:				
Buildings	10,699,144	-	-	10,699,144
Furniture and equipment	1,788,070	111,686	14,996	1,884,760
Total capital assets being deprec.	<u>12,487,214</u>	<u>111,686</u>	<u>14,996</u>	<u>12,583,904</u>
Less accumulated depreciation for:				
Buildings	3,436,593	172,383	-	3,608,976
Furniture and equipment	1,480,981	98,402	4,184	1,575,199
Total accumulated depreciation	<u>4,917,574</u>	<u>270,785</u>	<u>4,184</u>	<u>5,184,175</u>
Total capital assets being depreciated, net	<u>7,569,640</u>	<u>(159,099)</u>	<u>10,812</u>	<u>7,399,729</u>
Governmental activities capital assets, net	<u>7,624,140</u>	<u>(159,099)</u>	<u>10,812</u>	<u>7,454,229</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	165,905	-	-	165,905
Less accumulated depreciation	<u>140,527</u>	<u>4,074</u>	<u>-</u>	<u>144,601</u>
Business type activities capital assets, net	<u>25,378</u>	<u>(4,074)</u>	<u>-</u>	<u>21,304</u>

Depreciation expense was charged to the following functions:

	Amount
	\$
Governmental activities:	
Instruction:	
Regular	86,018
Support Services:	
Transportation	<u>12,384</u>
	98,402
Unallocated depreciation	<u>172,383</u>
Total depreciation expense . governmental activities	<u>270,785</u>
Business type activities:	
Food services	<u>4,074</u>

6 Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
General obligation bonds	4,060,000	-	235,000	3,825,000	245,000
Revenue bonds	1,540,000	-	70,000	1,470,000	75,000
USDA Rural Econ. Devel. Loan	195,000	-	30,000	165,000	30,000
Capital leases	74,244	-	49,497	24,747	24,747
Termination benefits	26,015	-	13,656	12,359	8,460
Net OPEB liability	<u>95,112</u>	<u>22,139</u>	<u>-</u>	<u>117,251</u>	<u>-</u>
Total	<u>5,990,371</u>	<u>22,139</u>	<u>398,153</u>	<u>5,614,357</u>	<u>383,207</u>
Business type activities:					
Net OPEB liability	<u>3,515</u>	<u>1,545</u>	<u>-</u>	<u>5,060</u>	<u>-</u>

Termination Benefits

The District has approved a voluntary early retirement plan for employees. Eligible employees must have completed at least eight years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than five employees per year will be granted benefits under the policy.

Early retirement benefits are equal to 33% of the employee's regular contractual salary in effect during the employee's last year of employment, less supplemental pay or extended contract pay.

At June 30, 2014, the District has obligations to two participants with a total liability of \$12,359. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$13,656.

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of June, 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	3.50	245,000	151,065	396,065
2016	3.00	255,000	142,490	397,490
2017	3.20	265,000	134,840	399,840
2018	3.40	275,000	126,360	401,360
2019	3.60	285,000	117,010	402,010
2020-2024	3.60-4.10	1,100,000	450,900	1,550,900
2025-2029	4.15-4.55	1,400,000	196,825	1,596,825
		<u>3,825,000</u>	<u>1,319,490</u>	<u>5,144,490</u>

Revenue Bonds

Details of the District's June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April, 2009			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2015	3.50	75,000	66,357	141,357
2016	3.50	75,000	63,732	138,732
2017	3.50	80,000	61,020	141,020
2018	4.00	85,000	57,920	142,920
2019	4.00	80,000	54,620	134,620
2020-2024	4.50-5.00	440,000	215,807	655,807
2025-2029	5.00-5.10	520,000	98,159	618,159
2030	5.15-5.20	115,000	2,990	117,990
		<u>1,470,000</u>	<u>620,605</u>	<u>2,090,605</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,700,000 bonds issued in 2009. The bonds were issued for the purpose of financing a portion of the costs of remodeling school buildings. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are

expected to require nearly 60% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$2,090,605. For the current year, \$70,000 of principal and \$68,895 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$302,621.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- \$144,620 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

United States Department of Agriculture Notes

The District borrowed \$300,000 through the United States Department of Agriculture (USDA) Rural Economic Development Loan Program. The loan is interest free and requires quarterly payments of \$7,500 each. Payments are to be made from the statewide sales, services and use tax. This loan will be paid as follows:

Year Ending June 30,	Principal
	\$
2015	30,000
2016	30,000
2017	30,000
2018	30,000
2019	30,000
2020	15,000
	165,000

During the year ended June 30, 2014 the District made principal payments totaling \$30,000 under the note agreements.

Capital Leases

The District has leased computers under a capital lease. The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2014.

	<u>Year Ending June 30,</u>	<u>Amount</u>
		\$
	2015	24,747
Minimum lease payments		24,747
Less amount representing interest		-
Present value of minimum lease payments		24,747

8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$237,476, \$227,793, and \$223,366 respectively, equal to the required contributions for each year.

9. Risk Management

GMG Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$135,941 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 46 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	29,044
Interest on net OPEB obligation	2,466
Adjustment to annual required contribution	(6,225)
Annual OPEB cost	<u>25,285</u>
Contributions made	(1,601)
Increase in net OPEB obligation	<u>23,684</u>
Net OPEB obligation beginning of year	<u>98,627</u>
Net OPEB obligation end of year	<u>122,311</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$1,601 to the medical plan. There were no benefits contributed by eligible plan members.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	\$	%	\$
2010	24,010	0.00	24,040
2011	24,341	0.00	48,381
2012	24,341	0.00	72,722
2013	27,152	4.59	98,627
2014	25,285	6.33	122,311

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$213,541, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$213,541. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,010,000, and the ratio of the UAAL to covered payroll was 10.6%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 group annuity mortality table, projected to 2000.

The UAAL is being amortized over 30 years.

12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
	\$
Teacher salary supplement	14,270
Early readers	8,383
Teacher leadership	2,208
lowa core	8,064
Educator quality, professional development	752
	33,677

13. Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions . . . an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosure and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

GMG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2014

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources	3,646,329	128,297	3,774,626	3,971,672	3,971,672	(197,046)
State sources	2,011,379	2,576	2,013,955	1,614,079	1,614,079	399,876
Federal sources	123,443	144,538	267,981	234,000	234,000	33,981
Total revenues	<u>5,781,151</u>	<u>275,411</u>	<u>6,056,562</u>	<u>5,819,751</u>	<u>5,819,751</u>	<u>236,811</u>
Expenditures/Expenses:						
Instruction	3,258,140	-	3,258,140	3,353,000	3,353,000	94,860
Support services	1,483,969	-	1,483,969	1,481,900	1,481,900	(2,069)
Non-instructional programs	-	266,324	266,324	231,000	231,000	(35,324)
Other expenditures	845,140	-	845,140	896,254	896,254	51,114
Total expenditures/expenses	<u>5,587,249</u>	<u>266,324</u>	<u>5,853,573</u>	<u>5,962,154</u>	<u>5,962,154</u>	<u>108,581</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	193,902	9,087	202,989	(142,403)	(142,403)	345,392
Balance beginning of year	<u>1,632,554</u>	<u>52,328</u>	<u>1,684,882</u>	<u>1,128,194</u>	<u>1,128,194</u>	<u>556,688</u>
Balance end of year	<u><u>1,826,456</u></u>	<u><u>61,415</u></u>	<u><u>1,887,871</u></u>	<u><u>985,791</u></u>	<u><u>985,791</u></u>	<u><u>902,080</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by the fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, expenditures exceeded the amounts budgeted in the support services and noninstructional functions.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	196,000	196,000	0.0%	2,762,000	7.1%
2011	July 1, 2009	-	191,000	191,000	0.0%	2,837,000	6.7%
2012	July 1, 2009	-	191,000	191,000	0.0%	1,647,000	11.6%
2013	July 1, 2012	-	229,119	229,119	0.0%	1,907,000	12.0%
2014	July 1, 2012	-	213,541	213,541	0.0%	2,010,000	10.6%

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

GMG COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2014

Assets	Special Revenue Funds		Total
	Management Levy	Student Activity	
	\$	\$	\$
Cash, cash equivalents and pooled investments	173,867	51,864	225,731
Receivables:			
Property tax:			
Delinquent	2,501	-	2,501
Succeeding year	153,000	-	153,000
Interfund receivable	20,717	-	20,717
Total assets	350,085	51,864	401,949
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	15,633	548	16,181
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	153,000	-	153,000
Fund balances:			
Restricted for:			
Management levy	181,452	-	181,452
Student activities	-	51,316	51,316
Total fund balances	181,452	51,316	232,768
Total liabilities, deferred inflows of resources and fund balances	350,085	51,864	401,949

GMG COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2014

	Management Levy	Student Activity	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	200,181	-	200,181
Other	4,727	102,517	107,244
State sources	100	-	100
Total revenues	<u>205,008</u>	<u>102,517</u>	<u>307,525</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	63,087	-	63,087
Other instruction	-	118,200	118,200
Support services:			
Administration services	4,510	-	4,510
Operation and maintenance of plant services	29,435	-	29,435
Transportation services	11,796	-	11,796
Total expenditures	<u>108,828</u>	<u>118,200</u>	<u>227,028</u>
Excess (deficiency) of revenues over (under) expenditures	96,180	(15,683)	80,497
Other financing sources (uses):			
Operating transfers out	<u>(15,633)</u>	-	<u>(15,633)</u>
Change in fund balances	80,547	(15,683)	64,864
Fund balances beginning of year	<u>100,905</u>	<u>66,999</u>	<u>167,904</u>
Fund balances end of year	<u><u>181,452</u></u>	<u><u>51,316</u></u>	<u><u>232,768</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Capital Projects Accounts

June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets	\$	\$	\$
Cash, cash equivalents and pooled investments	471,292	37,229	508,521
Receivables:			
Property tax:			
Delinquent	-	1,553	1,553
Succeeding year	-	122,709	122,709
Due from other governments	141,483	-	141,483
Total assets	612,775	161,491	774,266
Liabilities, Deferred Inflows of Resources & Fund Balances			
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	122,709	122,709
Fund balances:			
Restricted for:			
Debt service	144,620	-	144,620
School infrastructure	468,155	-	468,155
Physical plant and equipment	-	38,782	38,782
Total fund balances	612,775	38,782	651,557
Total liabilities, deferred inflows of resources and fund balances	612,775	161,491	774,266

GMG COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts

Year ended June 30, 2014

	Capital Projects		
	Statewide Sales, Services and Use Tax \$	Physical Plant and Equipment Levy \$	Total \$
Revenues:			
Local sources:			
Local tax	-	124,334	124,334
Other	85	1,861	1,946
State sources	302,621	62	302,683
Total revenues	<u>302,706</u>	<u>126,257</u>	<u>428,963</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	-	10,708	10,708
Operation and maintenance of plant	-	26,663	26,663
Transportation services	-	105,598	105,598
Other expenditures:			
Facilities acquisition	60,432	30,797	91,229
Total expenditures	<u>60,432</u>	<u>173,766</u>	<u>234,198</u>
Excess (deficiency) of revenues over (under) expenditures	242,274	(47,509)	194,765
Other financing sources (uses):			
Operating transfers out	<u>(223,768)</u>	-	<u>(223,768)</u>
Change in fund balance	18,506	(47,509)	(29,003)
Fund balances beginning of year	<u>594,269</u>	<u>86,291</u>	<u>680,560</u>
Fund balance end of year	<u><u>612,775</u></u>	<u><u>38,782</u></u>	<u><u>651,557</u></u>

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2014

<u>Account</u>	Balance	Revenues	Expenditures	Intra-Fund	Balance End
	Beginning of				
	\$	\$	\$	\$	\$
Drama	76	-	-	1	77
Vocal	639	2,855	3,162	5	337
HS cheerleading	1,518	2,703	3,599	9	631
Future teachers	176	-	-	2	178
Spanish club	105	10	59	1	57
Class of 2014	2,480	2,260	4,008	(732)	-
Class of 2016	278	958	230	15	1,021
Class of 2017	409	58	-	7	474
Class of 2018	15	284	-	4	303
Class of 2019	-	15	-	-	15
Class of 2012	146	-	-	(146)	-
Class of 2013	337	-	-	(337)	-
Interest	605	146	-	(751)	-
SH student council	1,768	6,818	7,739	13	860
JH student council	865	-	-	13	878
National honor society	1,100	3,245	3,486	13	872
Yearbook	4,589	7,584	6,032	91	6,232
Athletics	37,325	53,369	65,330	(414)	24,950
Dance team	1,290	2,349	2,495	17	1,161
HS SADD	2,442	2,674	4,948	2	170
Volleyball	80	-	-	1	81
Art	-	971	320	10	661
Elementary	8,047	6,630	5,391	138	9,424
Class of 2015	1,892	6,870	8,625	1,234	1,371
Weightlifting	360	558	1,300	787	405
Athletic donation Marshall county	-	2,160	1,476	10	694
JEL	457	-	-	7	464
Total	66,999	102,517	118,200	-	51,316

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2014

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Kienzle Farm	118,316	20,109	11,440	126,985

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	2,187,712	2,373,979	2,233,219	2,049,657	1,976,063	1,980,054	1,896,066	1,921,034	1,714,967	1,716,960
Tuition	1,277,642	1,073,817	1,039,039	1,108,131	978,243	984,434	910,556	823,345	715,953	560,856
Other	180,975	214,703	188,923	326,214	213,196	195,286	227,475	233,166	293,939	159,301
State sources	2,011,379	1,601,000	1,738,745	1,824,322	1,575,487	1,849,877	1,637,262	1,598,542	1,664,396	1,560,545
Federal sources	123,443	114,520	109,083	225,132	336,101	159,081	117,313	116,480	120,997	124,088
Total revenues	<u>5,781,151</u>	<u>5,378,019</u>	<u>5,309,009</u>	<u>5,533,456</u>	<u>5,079,090</u>	<u>5,168,732</u>	<u>4,788,672</u>	<u>4,692,567</u>	<u>4,510,252</u>	<u>4,121,750</u>
Expenditures:										
Instruction	3,258,140	2,980,493	3,188,095	3,239,205	3,223,607	3,180,244	2,840,875	2,747,632	2,591,270	2,464,777
Support services:										
Student services	64,261	64,537	63,891	43,976	19,623	-	1,432	-	-	-
Instructional staff services	98,190	117,575	183,656	181,067	122,597	121,466	121,705	135,500	105,812	108,056
Administration services	561,686	530,205	528,799	526,994	517,862	456,226	462,626	486,484	452,913	426,146
Operation and maintenance	413,834	434,122	427,361	528,031	360,622	352,688	313,784	362,544	306,398	304,610
Transportation services	345,998	315,622	248,557	256,983	223,895	305,835	224,787	227,957	229,965	183,904
Central support services	-	-	-	-	-	-	-	-	-	8,006
Non-instructional programs	-	-	-	-	-	-	1	6,407	2,400	-
Other expenditures:										
Facilities acquisition	91,229	103,156	146,091	718,385	3,392,182	528,625	158,653	218,476	515,390	211,660
Long-term debt:										
Principal	389,497	364,498	349,498	319,749	260,000	2,791,250	209,375	204,375	160,000	150,000
Interest and other charges	228,473	237,435	246,921	263,037	269,497	127,590	134,876	143,208	152,807	161,808
AEA flowthrough	135,941	131,854	137,438	153,840	147,736	121,637	119,335	117,271	114,952	112,048
Total expenditures	<u>5,587,249</u>	<u>5,279,497</u>	<u>5,520,307</u>	<u>6,231,267</u>	<u>8,537,621</u>	<u>7,985,561</u>	<u>4,587,449</u>	<u>4,649,854</u>	<u>4,631,907</u>	<u>4,131,015</u>

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
GMG Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of GMG Community School District and of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GMG Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GMG Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of GMG Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items 14-I-A, 14-I-B and 14-I-C to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GMG Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

GMG Community School District's Responses to the Findings

GMG Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. GMG Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of GMG Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

May 26, 2015

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2014

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Significant Deficiencies:

14-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, processing payroll, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important that District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

14-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2014

Part I: Findings Related to the Financial Statements (continued):

14-I-C Signature Stamp: We noted that a stamp bearing the signature of the Board President is used to cosign checks. The board secretary, the other co-signer of the checks has access to the stamp. This practice negates the internal control procedure established by requiring two signatures on a check.

Recommendation: We recommend that this practice cease. The board may designate a person other than the board president to cosign checks. If a signature stamp is used, it should remain under the control of the person whose name the stamp bears at all times.

District Response: We will discuss methods to limit access to the signature stamp.

Conclusion: Response accepted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- 14-II-A Certified Budget: Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts budgeted in the support services and non-instructional functions.
- Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion: Response accepted.
- 14-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 14-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 14-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 14-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 14-II-F Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 14-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 14-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 14-II-I Deposits and Investments: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 14-II-J Certified Annual Report: The Certified Annual Report was certified to the Iowa Department of Education timely.
- 14-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 14-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting (continued):

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2014 audit:

Beginning balance, as restated	\$	\$
		594,269
Revenues/transfers in:		
Statewide sales, services and use tax revenue	302,621	
Other local revenues	<u>85</u>	302,706
Expenditures/transfers out:		
Equipment	60,432	
Transfers to debt service fund	<u>223,768</u>	<u>284,200</u>
Ending balance		<u>612,775</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423e or 423F of the Code of Iowa.